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STATE PASS USTR (BELL), USPTO (ADLIN AND ADAMS), USAID (MCCLLOUD)
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SUBJECT: TUNISIA ECONOMIC HIGHLIGHTS: SEPT. 16 - OCT. 15

REF: A. TUNIS 2465

[1](#)B. TUNIS 2173
[1](#)C. TUNIS 1741
[1](#)D. TUNIS 1672

[1](#)1. (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

[1](#)A. Trade Balance Continues to Deteriorate
[1](#)B. Emirates Bukhatir to Build 5 Billion USD "Sports City"
[1](#)C. Emirati DIG Increases Stake in Karthago Airlines
[1](#)D. Legal Retirement Age to Be Raised
[1](#)E. Tunisair to Invest in Mauritanie Airways
[1](#)F. Attijariwafa Bank to Buy Banque Senegalo-Tunisienne
[1](#)G. GOT and Kuwait to Sell BTKD Bank Shares

Trade Balance Continues to Deteriorate

[1](#)2. (U) According to September's Central Bank report, over the August 1 - September 20 period, the trade deficit reached 689 million dinars (roughly 524 million USD) against 357 million dinars (272 million USD) during the same period of 2005. Imports of goods and services grew 13.9 percent, outpacing a 10.9 percent rise in exports. Energy imports represent 46 percent of the trade deficit during this period (ref C).

Emirates Bukhatir to Build 5 Billion USD "Sports City"

[1](#)3. (U) According to local press reports, in 2007, the Emirates Bukhatir Group will invest 5 billion USD to design and build the Tunis Sports City project, part of a GOT initiative to develop recently reclaimed lake property. The 250-hectare project's main objective is to train young people in different sports disciplines, but also to provide residential, leisure and commercial services.

The complex will comprise nine sports training centers, three golf courses, tennis courts, outdoor and indoor Olympic-sized swimming pools, a multi-event stadium for 5,000 spectators, a football stadium with a 20,000-person capacity, and five five-star hotels. The project is expected to create around 40,000 new jobs in the Tunisian economy. (Note: The GOT did not announce a tender for this project. End Note)

Emirati DIG Increases Stake in Karthago Airlines

¶4. (U) The Dubai Investment Group (DIG), a subsidiary of Dubai Holdings, has increased its shares in Tunisian private carrier Karthago Airlines to 20 percent. The Emirati company already has investments in partially state-owned Tunisie Telecom and privately-owned La Societe Industrielle d'Appareillage et de Matériels Electriques (SIAME), a company specializing in electric components (ref C). Karthago Airlines is owned by Belhassen Trabelsi, brother-in-law of President Ben Ali (ref D). Karthago Airlines also recently announced plans to merge with another private Tunisian carrier, Nouvelair, by 2007.

¶5. (SBU) Comment: Both the Sports City and Karthago Airlines investments represent the growing number of Emirati investments in Tunisia. Dubai Holdings' recent launch of a new publicity campaign in Tunis is further evidence of the company's mounting interest in Tunisia. Yet, the Sports City investment is also indicative of the way business is done in Tunisia. The Sports City project follows the creation of a Culture City in Tunis and another large development project in the South Lake area, both sizeable GOT projects for which there was no public tender. The lack of transparency surrounding how these projects were awarded is, unfortunately, according to business contacts, all too common. End

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Comment.

Legal Retirement Age to Be Raised

¶6. (U) According to the Arabic Tunisian daily Ash- Shourouq, the GOT plans to raise the mandatory legal retirement age to 63 years from the current age of 60. The law will allow workers to delay their retirement up until the age of 65.

¶7. (SBU) Comment: The decision to raise the retirement age highlights the burden on social security funds caused by Tunisia's growing retirement-age population, a problem compounded by a birth rate below replacement, and may also reflect the strain created by the use of retirement funds for workers laid off after the age of 50 (ref A). While relieving the pressure on the retirement fund may be necessary, the decision is not without drawbacks for the GOT. Although unemployment is an issue at the top of the GOT agenda, the extension of the legal retirement age will affect the absorption of unemployed workers in the economy. End Comment.

Tunisair to Invest in Mauritanie Airways

¶8. (U) Tunisian state-owned carrier, Tunisair, has announced it will participate in a joint-venture with the Mauritanian government to create a new airline, to be named Mauritanie Airways. In recent years, Tunisair has launched a series of flights toward new destinations in Africa, such as Dakar, Bamako and Abidjan. The 2003 temporary, but indefinite, relocation of the African Development Bank from Abidjan to Tunis is likely the driving force behind the increased flight connections to African destinations. The Tunisair investment in Mauritanie Airways also follows state-owned Tunisie Telecom's investment in state-owned Mauritanian telecom operator MATTEL (ref B).

Attijariwafa Bank to Buy Banque Senegalo-Tunisienne

¶9. (U) Attijariwafa Bank, the Moroccan bank that purchased Tunisian Banque du Sud, has concluded an agreement to purchase a 66.67 percent stake in Banque Senegalo-Tunisienne (BST) from a number of private shareholders. BST was incorporated in Senegal in 1986 between the Tunisian and the Senegalese governments. In 1999, Senegalese private investors bought 92.6 percent of BST shares, leaving 7.32 percent to Tunisian state-owned Societe Tunisienne de Banques (STB). In 2005, total BST assets amounted to 167.2 million euros (roughly 209 million USD). The bank's market share is 7 percent and it is ranked 5th, in Senegal. It owns a total of 12 branches, all in Senegal. Attijariwafa Bank already has a subsidiary with four branches in Dakar.

GOT and Kuwait to Sell BTKD Bank Shares

¶10. (U) According to wire reports, the GOT and state-run Kuwait Investment Authority (KIA) announced plans to sell 30 percent each of their equal ownership of the Banque Tuniso-Koweitienne de Developpement (BTKD). According to a Fitch Ratings report issued in July, BTKD's asset quality is poor and its performance ratios deteriorated last year, partly reflecting declining lending activity. Established in 1981, Tunis-based BTKD has a capitalization of 100 million Tunisian dinars (74.74 million USD) with about two thirds of BTKD activities related to the tourism sector.

¶11. (SBU) Comment and Background: Given the poor performance of BTKD and low growth in the tourism sector, the partial privatization is

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not surprising. According to an Embassy banking contact, most of Tunisia's non-performing loans are related to investments in the tourism sector. The partial privatization of BTKD also highlights recent restructuring and reform in the Tunisian banking sector. In 2000, the GOT merged three state-owned banks, Societe Tunisienne de Banques, Banque Nationale de Developpement Touristique and Banque de Developpement Economique de Tunisie. In addition, several state-owned banks have been fully privatized. In 2002, French Societe Generale purchased state-owned Union Internationale de Banques (UIB) and in 2005, the Spanish-Moroccan consortium Santander-Attijariwafa purchased state-owned Banque du Sud. End Comment and Background.
BALLARD